

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 FEA-01 STR-04 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 TRSE-00 PA-01

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 4095

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E.O. 11652: N/A

TAGS: EMIN, TH

SUBJECT: PETROLEUM: SUMMIT THREATENS TO CLOSE

REF: BANGKOK 23718

1. SUMMIT INDUSTRIAL CORPORATION EXECUTIVE (H.J. HUANG)

NOV. 12 CONFIRMED TO EMBOFF PRESS REPORTS THAT, UNLESS RTG PERMITS INCREASE IN PETROLEUM PRICES, SUMMIT WILL ON NOV. 20 SHUT DOWN OPERATIONS AND FILE BANKRUPTCY PETITION. HUANG SAID SUMMIT WOULD CONTINUE OPERATIONS IF RTG GRANTS PRICE INCREASE REQUESTED BY SUMMIT AND THAI OIL REFINING CORP. (TORC).

2. HUANG SAID SUMMIT EARLIER IN MONTH INFORMED THE MINISTRY OF DEFENSE (THE MILITARY ENERGY AUTHORITY AND THE MOD'S FUEL OIL ORGANIZATION), WHICH OWNS THE REFINERY OPERATED BY SUMMIT, THAT ON NOV. 20 SUMMIT WOULD USE FINAL CRUDE FEED STOCKS PURCHASED BEFORE OPEC COUNTRIES RAISED PRICE 10 PERCENT IN OCTOBER. TO CONTINUE OPERATING BEYOND NOV. 20, WITHOUT INCREASE IN SALE PRICES, WOULD CAUSE SUMMIT TO LOSE 1.5 MILLION

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BAHT DAILY, HUANG SAID.

3. HUANG SAID SUMMIT HAS INVESTED ABOUT \$60 MILLION IN THE MOD REFINERY, WITH LEASE VALID UNTIL 1990, AND HOPES, NATURALLY, TO CONTINUE OPERATIONS AS IN PAST. HE SAID, HOWEVER, THAT AS ALTERNATIVE TO CLOSURE SUMMIT HAS PROPOSED TURNING THE REFINERY BACK TO THE MOD, IN EXCHANGE FOR ADEQUATE COMPENSATION.

4. HUANG DENIED SUMMIT IS TRYING TO FORCE GOVERNMENT'S HAND IN REGARD TO PRICE INCREASE, BUT LEAKAGE TO PRESS OF PROPOSAL TO, IN EFFECT, "SELL" REFINERY BACK TO MOD IN ABSENCE OF PRICE INCREASE HAS GENERATED PREDICTABLE RESENTMENT AMONG GROUPS ON THE LEFT. THIS IN TURN HAS STIMULATED CALLS DEMANDING "NATIONALIZATION" OF ALL FOREIGN OIL MARKETING FIRMS, A POSITION LONG SUPPORTED BY, AMONG OTHERS, LT. GEN SAMRAN CHIOTE, DIRECTOR GENERAL OF THE MILITARY ENERGY DEPARTMENT. HE HOPES TO SET UP A SINGLE NATIONAL OIL COMMITTEE TO CONTROL THE REFINING AND MARKETING OF PETROLEUM, AND EVENTUALLY EXPLORATION AND PRODUCTION OF CRUDE OIL.

5. ESSV IS IN STRONGER PROFIT POSITION THAN SUMMIT, AND WITH LARGER INVENTORIES, WILL NOT USE UP PRE-PRICE RISE CRUDE UNTIL MID-DECEMBER. A COMPANY EXECUTIVE CONFIDES, THAT, PROVIDED RTG PROVIDES ASSURANCES PRICE INCREASE WILL BE GRANTED PRIOR TO JAN 1, ESSO COULD WOULD KEEP OPERATING AT CURRENT PRODUCTION LEVELS. HOWEVER, HE SAID, SHOULD GOVERNMENT REFUSE TO PERMIT SALES PRICE TO RISE, ESSO TOO, WOULD HAVE TO CONSIDER SHUTTING DOWN ITS REFINERY AFTER FIRST OF YEAR.

6. IN PRESS CONFERENCA NOV. 11, DEPUTY PRIME MINISTER PRAMAN SIDESTEPED MOST QUESTIONS OF SUBSTANCE REGARDING SUMMIT AND TORC, BUT DISCLOSED THE OIL POLICY COMMITTEE, WHICH HE CHAIRS, WILL MEET NOV. 14 TO RE-EXAMINE OIL PRICE QUESTION.
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